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*CanCorp*

# ANNUAL REPORT



WESTFAIR FOODS LTD.



# ANNUAL REPORT '73



**Westfair Foods Ltd.**

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## DIRECTORS

G. E. Creber, Q.C.  
W. Galen Weston  
D. A. Nichol  
R. J. Currie  
G. R. Hunter, Q.C.  
R. J. Addington  
E. R. O'Neill

## OFFICERS

G. E. Creber, Q.C., Chairman of the Board  
E. R. O'Neill, President  
K. W. Campbell, C.A., Vice President – Finance  
M. D. Booty, Vice President – Marketing & Sales  
T. E. Anderson, Assistant Controller  
D. G. King, C.A., Assistant Secretary

## AUDITORS

Clarkson, Gordon & Co.

## SOLICITORS

Pitblado & Hoskin

## BANKERS

Canadian Imperial Bank of Commerce

## TRANSFER AGENT

The Royal Trust Company

## STOCK LISTINGS

Toronto, Montreal and Winnipeg Stock Exchanges



## REPORT TO SHAREHOLDERS

This sixty-first annual report reflects a further increase in the company's growth. New highs for sales and profits were again achieved for the fifty-two weeks ended December 29, 1973.

Sales increased by \$21,255,000 to a total of \$278,810,000 with all divisions contributing towards the improvement. Net income of \$3,911,000 increased by \$509,000 or 15% over that reported for 1972. Profit from operations before income tax and gain on sale of fixed assets was \$7,614,000 as compared to \$6,009,000 for 1972. Working capital of \$18,700,000 was less than at the end of 1972, attributable in part to an extra dividend paid to our common shareholders during the year. Despite this decline the ratio of current assets to current liabilities is high for the industry and reflects the healthy financial condition of the company.

Several major changes occurred over the fiscal year end as described more fully in the notes to the financial statements. Prior to the year end all of the assets and undertakings of Loblaws Limited in Manitoba and Alberta were purchased. Subsequent to the year end all of the assets and undertakings of The O.K. Economy Stores Limited (largely located in Saskatchewan) were purchased and all of Westfair's B.C. Divisions were sold. Our market territory now extends from the head of the lakes through Alberta. Our concentration in this smaller area will provide economies in operations as well as new challenges for development, the net effect of which should bode well for the future and the continued expansion of our company.

While the foregoing major changes increase our activities in the corporate-owned retail field, the company's marketing strength still remains through the independent trade. Their development despite severe chain store competition is anticipated. The independent store owner still performs a function in the marketplace that is unique and is demanded by a large segment of the consuming public.

1973 has been a year of consolidation rather than expansion of the physical assets of the company. In this regard we would direct your attention to the statement of change in financial position. There will be a marked change in this policy during the forthcoming year with considerable expansion at both wholesale and retail levels now in process.

The rapid rise in food prices at all levels in the distributive system has presented a unique problem to the whole industry. Your company and the industry have attempted to meet this problem in a manner that will not destroy the confidence of its customers but at the same time protect the interests of its shareholders and its employees. This balance is a challenge that certainly continues into 1974.

Mr. E. P. Rathgeber, Chief Executive Officer of the company from 1968, retired in 1973. On behalf of the shareholders, the Board and the staff we wish to pay tribute to his years of successful leadership and his loyal support to the interest of the company.

We wish to express our appreciation for the continued loyal support of our employees and of our customers. Without both, progress is not possible.



E. R. O'NEILL,  
President

Winnipeg, Canada,  
April 3, 1974

WESTFAIR FOODS LTD.

## CONSOLIDATED STATEMENT OF INCOME

Year Ended December 29, 1973 (with comparative figures for 1972)

	1973	1972
Sales - - - - -	\$278,810,000	\$257,555,000
Deduct cost of sales and selling and administrative expenses before the undernoted - - - - -	<u>269,959,000</u>	<u>249,831,000</u>
	<u>8,851,000</u>	<u>7,724,000</u>
Add		
Income from investments - - - - -	395,000	251,000
Gain on sale of fixed assets - - - - -	<u>271,000</u>	<u>288,000</u>
	<u>666,000</u>	<u>539,000</u>
	<u>9,517,000</u>	<u>8,263,000</u>
Deduct		
Depreciation - - - - -	1,482,000	1,809,000
Interest on long-term debt - - - - -	<u>150,000</u>	<u>157,000</u>
	<u>1,632,000</u>	<u>1,966,000</u>
Income before income taxes - - - - -	7,885,000	6,297,000
Income taxes - - - - -	<u>3,974,000</u>	<u>2,895,000</u>
Net income for year - - - - -	<u>\$ 3,911,000</u>	<u>\$ 3,402,000</u>



WESTFAIR FOODS LTD.

## CONSOLIDATED BALANCE SHEET

December 29, 1973 (with comparative figures at December 30, 1972)

ASSETS	1973	1972
<b>Current assets</b>		
Cash and deposit receipt - - - - -	\$ 3,350,000	\$ 6,136,000
Accounts receivable - - - - -	6,801,000	4,949,000
Inventory, at lower of cost and net realizable value - - - - -	27,466,000	20,027,000
Prepaid expenses - - - - -	168,000	165,000
	<u>37,785,000</u>	<u>31,277,000</u>
<b>Investments and other assets</b>		
Secured loans and advances, not due within one year - - - - -	1,046,000	1,383,000
Other investments — at cost (without quoted market value) - - - - -	223,000	189,000
Deferred account recoverable - - - - -	1,071,000	929,000
	<u>2,340,000</u>	<u>2,501,000</u>
<b>Fixed assets — at cost</b>		
Land and buildings - - - - -	20,337,000	22,177,000
Equipment - - - - -	15,297,000	12,633,000
	<u>35,634,000</u>	<u>34,810,000</u>
Less accumulated depreciation - - - - -	16,382,000	14,643,000
	<u>19,252,000</u>	<u>20,167,000</u>
<b>On behalf of the Board:</b>		
E. R. O'NEILL, Director		
G. E. CREBER, Director		
	<u>\$59,377,000</u>	<u>\$53,945,000</u>



## LIABILITIES

1973

1972

### Current liabilities

Accounts payable and accrued charges	-	-	-	-	-	-	-	<b>\$13,157,000</b>	\$ 8,165,000
Accounts payable, affiliated companies	-	-	-	-	-	-	-	<b>2,836,000</b>	254,000
Income and other taxes payable	-	-	-	-	-	-	-	<b>2,589,000</b>	1,835,000
Dividends payable (note 2)	-	-	-	-	-	-	-	<b>370,000</b>	369,000
Portion of long-term debt payable within one year (note 6)	-	-	-	-	-	-	-	<b>133,000</b>	85,000
								<b>19,085,000</b>	10,708,000
<b>Long-term debt</b> (note 6)	-	-	-	-	-	-	-	<b>1,430,000</b>	1,764,000
<b>Deferred real estate income</b>	-	-	-	-	-	-	-	<b>18,000</b>	51,000
<b>Deferred income taxes</b>	-	-	-	-	-	-	-	<b>1,876,000</b>	1,950,000

## SHAREHOLDERS' EQUITY:

### Capital stock (note 3)

Authorized									
175,000 preferred shares, par value \$20 each	-	-	-	-	-	-	-		
150,000 Class A shares without par value	-	-	-	-	-	-	-		
150,000 common shares without par value	-	-	-	-	-	-	-		
Issued									
59,715 preferred shares (\$1.40 series)	-	-	-	-	-	-	-	<b>1,194,000</b>	1,194,000
67,772 Class A shares	}	-	-	-	-	-	-	<b>1,023,000</b>	1,023,000
86,658 common shares		-	-	-	-	-	-		
<b>Retained earnings</b>	-	-	-	-	-	-	-	<b>34,751,000</b>	37,255,000
								<b>36,968,000</b>	39,472,000
								<b>\$59,377,000</b>	\$53,945,000

WESTFAIR FOODS LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 29, 1973

### 1. BASIS OF CONSOLIDATION

- a) The consolidated financial statements include the accounts of all subsidiary companies.
- b) The consolidated balance sheet also reflects the acquisition, as of December 29, 1973, of all the assets and undertakings of Loblaws Limited in the Provinces of Manitoba and Alberta, and the assumption of liabilities as follows:

Current assets -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,760,000
Fixed assets -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u>1,196,000</u>
Total assets purchased at net book value as shown on vendor's books																				
(being approximately the same as fair value) -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,956,000
Less liabilities assumed -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u>233,000</u>
Total net assets -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u>\$3,723,000</u>

The total consideration for the purchase was \$3,723,000, of which \$1,500,000 was paid prior to December 29, 1973, and a further amount of \$1,500,000 was paid subsequent to the year end with the balance to be paid shortly thereafter.

### 2. DIVIDENDS PAYABLE

Dividends payable of \$370,000 includes \$301,000 payable to an affiliated company.

### 3. CAPITAL STOCK

The holders of the preferred shares (\$1.40 series) are entitled to a dividend, when and as declared, of \$1.40 per share per annum on a cumulative non-participating basis. These preferred shares are non-redeemable, but may be purchased by the company for cancellation. The holders of the Class A shares are entitled to dividends, when and as declared, of \$2.00 per share per annum on a non-cumulative, non-participating basis. No dividend shall be paid or declared for payment on common shares in any fiscal year unless and until dividends at the rate of \$2.00 per share for such year shall have been paid or declared on the Class A shares.

### 4. DIRECTORS' AND OFFICERS' REMUNERATION

Pursuant to the Canada Corporations Act:

Remuneration of directors, as directors	\$ 1,000
Remuneration of officers, as officers	257,000
Number of directors	8
Number of officers	7
Number of officers who are directors	5

## 5. LONG-TERM LEASES

The aggregate minimum rentals under long-term leases (extending beyond five years from the balance sheet date) are as follows:

1974 - 1978	\$ 6,790,000
1979 - 1983	5,225,000
1984 - 1988	3,488,000
1989 - 1993	1,637,000
After 1994	661,000
	<u>\$17,801,000</u>

## 6. LONG-TERM DEBT

Westfair Properties Ltd. —

First Mortgage Bonds

Series A — 5¾% Sinking fund debentures due

December 15, 1986, par value of

\$1,209,000, less bonds on hand of \$69,000 - - - 1,140,000

Less discount - - - - - 205,000 \$ 935,000

Westfair Wholesale Properties Ltd. —

9% first mortgage maturing in 1980 - - - - - 628,000

1,563,000

Less payable in one year - - - - - 133,000

Long-term debt - - - - - \$1,430,000

Principal instalments of long-term debt payable each year for the next five years are:

1974	—	\$202,000
1975	—	212,000
1976	—	223,000
1977	—	235,000
1978	—	221,000

## 7. SUBSEQUENT EVENTS

- Subsequent to the year end the company disposed of the assets and undertakings of its British Columbia Divisions (Malkins, Shop-Easy (B.C.), Mini Mart (B.C.) and Econo-Mart (B.C.) stores) having a net carrying value of \$8,298,678 and realized a gain of approximately \$3,750,000.
- On December 30, 1973, all of the shares of the O.K. Economy Stores Limited and all of the business and undertakings of the O.K. Economy Stores Division of George Weston Limited were purchased by Westfair Foods Ltd. for \$8,084,308.
- As a result of the sale of W. H. Malkin Ltd. and the purchase of The O.K. Economy Stores Limited and Division, there was a net reduction in long-term lease commitments of \$3,689,000.



## WESTFAIR FOODS LTD.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 29, 1973 (with comparative figures for 1972)

	1973	1972
<b>Source of working capital</b>		
From operations —		
Income from operations - - - - -	\$ 3,911,000	\$ 3,402,000
Add (deduct) —		
Depreciation - - - - -	1,482,000	1,809,000
Deferred income taxes - - - - -	(74,000)	(135,000)
Deferred real estate income - - - - -	(33,000)	(50,000)
Gain on disposal of fixed assets - - - - -	(271,000)	(288,000)
	<u>5,015,000</u>	<u>4,738,000</u>
Proceeds on disposal of fixed assets - - - - -	2,283,000	760,000
Reduction in other assets - - - - -	<u>160,000</u>	
	<u>7,458,000</u>	<u>5,498,000</u>
<b>Application of working capital</b>		
Reduction of long-term debt - - - - -	334,000	428,000
Additions to fixed assets - - - - -	1,382,000	910,000
Dividends to shareholders - - - - -	6,415,000	1,415,000
Addition to investments and other assets - - - - -		373,000
Acquisition of Westfair Properties Ltd. - - - - -		228,000
Acquisition of fixed assets from Loblaws Limited (note 1) - - - - -	<u>1,196,000</u>	
	<u>9,327,000</u>	<u>3,354,000</u>
<b>Increase (decrease) in working capital</b> - - - - -	<b>(1,869,000)</b>	<b>2,144,000</b>
<b>Working capital, beginning of year</b> - - - - -	<u><b>20,569,000</b></u>	<u>18,425,000</u>
<b>Working capital, end of year</b> - - - - -	<u><b>\$18,700,000</b></u>	<u><b>\$20,569,000</b></u>

WESTFAIR FOODS LTD.

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended December 29, 1973 (with comparative figures for 1972)

		1973	1972
Balance, beginning of year-	- - - - -	<b>\$37,255,000</b>	\$35,268,000
Net income for year -	- - - - -	<u><b>3,911,000</b></u>	<u>3,402,000</u>
		<u><b>41,166,000</b></u>	<u>38,670,000</u>
Dividends			
Preferred shares -	- - - - -	<b>84,000</b>	84,000
Class A shares -	- - - - -	<b>135,000</b>	135,000
Common shares -	- - - - -	<u><b>6,196,000</b></u>	<u>1,196,000</u>
		<u><b>6,415,000</b></u>	<u>1,415,000</u>
Balance, end of year -	- - - - -	<u><b>\$34,751,000</b></u>	<u>\$37,255,000</u>

## AUDITORS' REPORT

*Clarkson, Gordon & Co.*

*Chartered Accountants*

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To the Shareholders of Westfair Foods Ltd.:

We have examined the consolidated balance sheet of Westfair Foods Ltd. and its subsidiaries as at December 29, 1973 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 29, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Clarkson, Gordon & Co.*

Winnipeg, Canada,  
March 8, 1974

Chartered Accountants.



WESTFAIR FOODS LTD.

TEN YEAR STATISTICAL SUMMARY (in thousands of dollars)

	Sales	Net Income after Tax	Depreciation	Working Capital	Shareholders' Equity	Total Assets
<b>1973</b>	<b>\$278,810</b>	<b>\$3,911</b>	<b>\$1,482</b>	<b>\$18,700</b>	<b>\$36,968</b>	<b>\$59,377</b>
<b>1972</b>	257,555	3,402	1,809	20,569	39,472	53,945
<b>1971</b>	246,312	3,211	1,509	18,425	37,485	53,005
<b>1970</b>	252,077	3,040	1,563	15,785	35,689	51,157
<b>1969</b>	235,601	2,848	1,389	13,630	34,064	51,778
<b>1968</b>	221,110	2,391	1,388	11,725	32,631	48,116
<b>1967</b>	206,840	2,036	1,159	11,458	31,655	45,089
<b>1966</b>	201,391	2,130	1,076	12,807	31,135	46,051
<b>1965</b>	191,032	2,122	1,088	15,036	31,226	44,645
<b>1964</b>	187,816	1,925	1,038	14,295	29,410	41,414

